

Message Text

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12

ACTION EB-07

INFO OCT-01 NEA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 /074 W

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R 110900Z DEC 74

FM AMCONSUL KARACHI

TO AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: ENRG, PK

SUBJECT: ESSO NEGOTIATIONS WITH GOP ON DEVELOPMENT
OF MARI GAS FIELD

REF: ISLAMABAD 11340 (NOTAL)

BEGIN SUMMARY: ESSO GENERAL MANAGER CHARLES ROSE MILDLY
OPTIMISTIC CONCERNING POSSIBILITY REACHING AGREEMENT WITH GOP
ON DEVELOPMENT MARI GAS FIELD, BASED ON INCREASE IN GAS WELLHEAD
PRICE AND REDUCTION IN ESSO GAS FIELD DEVELOPMENT COSTS THROUGH
PACKAGE DEAL INVOLVING SELL-OFF OF ESSO STORAGE AND MARKETING
FACILITIES IN PAKISTAN. END SUMMARY

1. CONGENOFF SPOKE WITH CHARLES ROSE OF ESSO EASTERN HOUSTON
DEC 10 CONCERNING PROGRESS IN HIS FIRM'S NEGOTIATIONS WITH GOP
CONCERNING DEVELOPMENT MARI GAS FIELD FOR FEEDSTOCK SUPPLY TO
MORE FERTILIZER PLANTS.

2. ROSE CONFIRMED INFORMATION HIS ISLAMABAD REP, AKBAR MIRZA,
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HADGIVEN EMBASSY THAT GOP HAD, IN EARLY DECEMBER, FINALLY MADE

CONCRETE OFFER TO ESSO FOR INCREASE IN WELLHEAD PRICE OF MARI GAS IN RETURN FOR ESSO DEVELOPMENT OF MARI FIELD. ROSE SAID PRIVATELY AND CONFIDENTIALLY THAT GOP OFFER WAS SOMEWHAT BETTER THAN HE HAD EXPECTED BUT WAS PROBABLY NOT SUFFICIENT IN PRESENT FORM TO INDUCE HIS HOME OFFICE TO MAKE LARGE INVESTMENT NECESSARY FOR DEVELOPMENT MARI GAS FIELD FOR TWO ADDITIONAL FERTILIZER PLANTS.

3. RATHER THAN TELEGRAPHING BARE BONES OF GOP OFFER TO HOUSTON, WHICH HE FELT WOULD BE REJECTED OUT OF HAND, ROSE HAS SENT SENIOR PAK EXECUTIVE OF ESSO EASTERN TO HOUSTON TO TALK OVER OFFER WITH HEAD MANAGEMENT. ROSE SAID GOP WANTS ESSO TO COMPLETE DEVELOPMENT DRILLING AT MARI FIELD FOR TWO MORE FERTILIZER PLANTS AT A COST OF ABOUT \$12.4 MILLION AND PROVE OUT ENTIRE FIELD FOR POSSIBLE THIRD PLANT (WHICH WOULD INVOLVE ONLY MODERATE ADDITIONAL COST FOR FEW WELLS ALONG PERIPHERY OF FIELD.)

4. MAIN POINT OF DIFFICULTY FOR ESSO IS LARGE FX INVESTMENT IN A COUNTRY OVER WHICH ESSO HOUSTON SHOWS NO GREAT ENTHUSIASM. ROSE ATTEMPTING TO WORK OUT PACKAGE DEAL WHICH WOULD INVOLVE GOP PURCHASE ESSO STORAGE AND RETAIL FACILITIES IN PAKISTAN FOR "REASONABLE FIGURE" AND PERHAPS ASSUMPTION FURTHER EQUITY OF UP TO 40 PERCENT IN PAK-STANVAC, THE OPERATING COMPANY FOR MARI GAS FIELD JOINTLY OWNED BY ESSO, MOBIL, AND GOP. ROSE ALSO SEES GOP REMISSION OF DUTY ON DRILLING EQUIPMENT AS ANOTHER MEANS KEEPING DOWN ESSO INVESTMENT COSTS TO LEVEL WHICH WOULD BE ACCEPTABLE TO HOUSTON.

5. ROSE MILDLY OPTIMISTIC CONCERNING POSSIBILITY FOR REACHING BARGAIN WITH GOP. HIS HOPES BASED ON LEVEL FOR WELLHEAD GAS PRICE AT WHICH GOP STARTED BARGAINING PROCESS, AS WELL AS PROBABILITY GOP WILL GO SOMEWHAT HIGHER ON WELLHEAD GAS PRICE. HE CONJECTURES THAT GOP HAS INCENTIVE TO CONCLUDE THE DEAL BECAUSE OF RECENT REPORTED APPROVAL OF FAUJI FERTILIZER PROJECT, WHICH CONTAINS, INTER ALIA, GOP COMMITMENT FOR ADEQUATE SUPPLY OF NATURAL GAS FEEDSTOCK FROM MARI FIELD, WHICH COULD ONLY BE PROVIDED BY THE ESSO DEVELOPMENT PROPOSAL. ROSE ALSO BELIEVES FACT THAT HIS REP HAS NOW BEEN TALKING IN HOUSTON FOR 8 DAYS WITHOUT BEING SENT BACK TO PAKISTAN IS ADDITIONAL FAVORABLE SIGN. ROSE WILL LET US KNOW AS SOON AS HIS MAN RETURNS FROM HOUSTON, HOPEFULLY WITH ESSO COUNTER OFFER ON MARI GAS DEVELOPMENT.

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